



FINANCE COMMITTEE

**Wednesday, November 11, 2020
5:30 p.m.**

Virtual - Microsoft Teams

AGENDA

- 1. CALL TO ORDER** - Kevin Maves
- 2. APPROVAL OF THE AGENDA**
- 3. INTERNATIONAL EDUCATION SURPLUS PROCESS** - Stacy Veld
- 4. EDUCATION DEVELOPMENT CHARGES** - Stacy Veld
- 5. ANNUAL REPORT ON BOARD INVESTMENTS** - Nicky Westlake
- 6. SCHEDULE OF ACCUMULATED SURPLUS** - Stacy Veld
- 7. NEXT MEETING DATE**
- 8. ADJOURNMENT**

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO FINANCE COMMITTEE
INTERNATIONAL EDUCATION SURPLUS PROCESS

Background

As per the recommendation previously approved by the Board, 30% of the annual international education net surplus, would be retained in the International Education Program accounts to fund future business development initiatives, while 70% of the surplus, would be available to fund one-time costs associated with DSBN strategic initiatives in the following fiscal year. We have managed this by approving a carryforward at the time of completing the year-end financial statements and spending the funds in the following fiscal year.

Prior year carryforwards are included as a current year expenditure and by definition would create a deficit, regardless if the Board had set aside funds in accumulated surplus to cover the carryforward. With the recent changes by the Ministry of Education on the restricted use of accumulated surplus and the requirement to submit a deficit elimination plan within two years, our past practice for treatment of carryforwards must be changed.

Proposal

In order to comply with the direction from the Ministry while continuing to support the Board's strategic initiatives, we bring forward an updated process for consideration. Financial Services will present to Trustees annually a budgeted International Education surplus based on our actual October 31st enrolment and updated expenditures at the time of presenting the first Interim Report. The budgeted use of the net surplus will include the recommended strategic initiatives for Trustees consideration to be spent in the current year.

Recommended Motion

“That the annual International Education Financial Report be received at the time of the first interim reporting, and that the projected net surplus be available to fund one-time costs associated with DSBN strategic initiatives within the same fiscal year.”

Respectfully submitted by:

Stacy Veld, Superintendent of Business Services

November 11, 2020

For further information, please contact Stacy Veld, Superintendent of Business Services.

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO FINANCE COMMITTEE
EDUCATION DEVELOPMENT CHARGES (EDCs)

Background

New residential development is a significant contributor to population growth in communities and puts pressure on public infrastructure (i.e. schools, community centres, fire and police, transit, and roads) that serve the area. Municipalities can collect Development Charges, which are one-time fees paid at the time a building permit is issued to help pay for the municipal services that will be needed for new developments.

New population growth puts accommodation pressure on existing schools and boards must often plan for a new school site to serve the growing community. School boards, however, do not receive a portion of municipal development charges or have the ability to fund education costs through property taxes. The Ministry of Education provides funding for the construction of new schools and additions through the Capital Priorities Grant program. The purchase of property for a new school site is not funded under this program. School boards can fund a property purchase through:

- Education Development Charges (EDCs), if eligible; or,
- A Land Priorities Grant where the site is not eligible to be funded through Education Development Charges (EDCs).

Like municipal Development Charges, EDCs allow school boards to collect funds from growth related development to purchase land for new schools and to pay for site work required to prepare to build the school. Boards can purchase lands early in the accommodation planning process, before the residential developments are approved and constructed.

Boards that are not EDCs eligible must submit, and receive approval, for a Land Priorities Grant. The program provides funding on a case by case basis, can be time consuming, and can be denied. The challenge is that purchase agreements are subject to the Board receiving funding approval and developers or property owners will specify a time frame for the purchase. If funding is denied or not secured within the time frame, the property will be further subdivided or sold for another use and an opportunity is lost to have a school site that will well serve the future community growth.

This report provides information on EDCs and a recommendation for staff to hire a consultant to undertake a comprehensive review of the DSBN's ability to establish EDCs.

Education Development Charges Eligibility

School boards are provided the general authority to impose EDCs under the *Education Act*. Ontario Regulation 20/98 provides the requirements for determining a school board's eligibility to impose EDCs on new development, and the calculation of the charges. To be eligible to impose EDCs, a board must demonstrate that:

1. Projected 5-year average elementary or secondary enrolment within its jurisdiction exceeds the school board's elementary or secondary capacity; or,
2. The board's existing EDC Reserve Fund is in a deficit (for Boards that have a previous EDC by-law).

Criteria 1 requires a school board show that the average student enrolment is larger than the space available on a jurisdiction wide basis. Criteria 2 only applies if there is an existing EDCs by-law in place.

The DSBN has not been historically eligible for EDCs as our overall school capacity has exceeded student enrolment despite accommodation pressures in high growth areas such as Niagara Falls, Welland, and Grimsby. In the last few years, however, the DSBN has returned to a growth scenario where enrolment has been increasing year over year and is projected to continue that trend well into the future. At the same time, the Board has reduced capacity through school closures and consolidations closing the gap between student enrolment and available capacity. We will continue to monitor schools within areas that could be subject to an accommodation review, but at this time, there is still a Provincial moratorium in place.

EDC eligibility is triggered if one of the two school panels is over capacity. While the Planning department can generate a broad picture of enrolment versus capacity, determining this for EDCs eligibility requires more detailed analysis and expertise in preparing EDCs for school boards. The elementary panel enrolment to capacity is within a range that would warrant a detailed review to confirm projections and capacity. Staff recommend the Board retain a consulting firm to complete a review to determine if the DSBN is eligible for EDCs.

Education Development Charges Process

If the DSBN is eligible to collect EDCs, staff will prepare a report for Trustees' consideration to initiate the EDCs process. The EDCs process is a public process and includes:

- Preliminary consultation with local Municipalities, the Coterminous Boards, and the development community;
- The preparation of a background study that includes information on the calculation of the EDCs, development projections, enrolment projections, site requirements, and estimated education land costs for submission to the Ministry for approval;
- Hold at least one public meeting. The background study and proposed by-law must be made available to the public prior to the meeting(s); and,
- Presentation of recommendation report and education development charges by-law to Trustees for consideration;

The approval of an education development charges by-law must be done within a year of the completion of the background study. An education development charge by-law may be appealed to the Local Planning Appeal Tribunal (formerly the Ontario Municipal Board) within 40 days of the passing of the by-law.

Recommended Motion:

“That the Board of Trustees receive this report; and

That, if the DSBN is eligible for EDCs, staff bring a report to Trustees for their consideration to initiate the EDCs process.”

Respectfully Submitted by:

Stacy Veld, Superintendent of Business Services
November 11, 2020

For further information, please contact Stacy Veld, Superintendent of Business Services.

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO FINANCE COMMITTEE
ANNUAL REPORT ON DSBN INVESTMENTS

Background

District School Board of Niagara ("DSBN") Policy B-04 *Investment of Board Funds* requires that an annual report on individual investments and investment performance be prepared as part of the year-end financial reporting process.

The policy also specifies that the following information be provided.

1. Schedule 1 – *Summary of Investments* lists all individual investments held at the end of the fiscal year, being August 31, 2020. The schedule summarizes the term, purchase and maturity date, organizational name, quality rating, principle amount and interest rate for each Guaranteed Investment Certificate investment.
2. The investment portfolio is invested 100% in the Corporate Investment category as allowed by the Policy. All investments are within the maximum individual organization limit allowed by the Policy.
3. The investment portfolio is generating an annual average investment return of 2.39%, which is an increase of 57.2% over the interest rate paid by the Board's financial service provider, CIBC, on DSBN's daily cash balances.
4. All investments were made in accordance with the DSBN's Investment Policy and the objectives set out therein.

In 2019-20, DSBN continued with its' short-term investment strategy to maximum our interest income on DSBN's daily cash balances. During 2019-20, DSBN held an average of \$49.5M in short-term investments with an average rate of 1.58%, which is an increase of 3.95% over the interest rate earned on DSBN's daily cash balances.

Appended Data

1. Summary of Investments

Recommended Motion

"That the Annual Report on DSBN Investments, as at August 31, 2020, be received."

Respectfully submitted,

Stacy Veld, Superintendent of Business Services
Nicky Westlake, Controller of Finance

November 11, 2020

For further information please contact Stacy Veld or Nicky Westlake.

**District School Board of Niagara
Summary of Investments
As at August 31, 2020**

Investment Broker	Term	Purchase Date	Maturity Date	Invested In	DBRS Rating	Principal Amount	Annual Interest Rate
Scotiabank	5 years	October 19, 2015	October 19, 2020	Scotiabank GIC	AA	8,848,349	2.55%
Scotiabank	5 years	October 20, 2016	October 20, 2021	Scotiabank GIC	AA	10,630,818	2.06%
Raymond James	5 years	October 26, 2017	October 26, 2022	National Bank of Canada	AA(low)	10,000,000	2.56%
						29,479,167	

Average Interest Rate	2.39%
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DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO FINANCE COMMITTEE
SCHEDULE OF ACCUMULATED SURPLUS

Background:

As part of the year-end Financial Statement process, the Schedule of Accumulated Surplus, along with explanatory notes describing each of the DSBN's accumulated surplus funds, is presented to the Board of Trustees for approval.

The attached Schedule of Accumulated Surplus shows the status of the Board's accumulated surplus as at August 31, 2020, and, identifies transfers to and from which have occurred during the 2019-20 fiscal year. The year end resulted in an increase to accumulated surplus of \$8,849,202 leaving an ending balance of \$55,511,484 of which \$30,148,655 is internally appropriated. The surplus was a result of an increase in funding due to the almost 400 ADE above projection of the actual enrolment and operating budget savings from the impact of COVID-19 in salaries and benefits, professional development, supplies and utilities.

Last year, Trustees supported the addition of a theatre and greenhouse to the West Niagara Secondary school. Since that time, staff have finalized the costing for the build and have submitted it to the Ministry of Education for approval to proceed to tender. The amount that will be required over and above the Ministry funding to support the ancillary areas of the school is \$7,700,000. Trustees approved the transfer last year of \$1,900,000 from our revenue generated outside of the GSN to this project to initiate the fundraising campaign. To continue to support this investment for our students, staff have included in our year end accumulated surplus, a transfer of the revenue received outside the GSN in the amount of \$2,500,000. The remaining amount required to fund this project has been borrowed from the Major Capital accumulated surplus.

In the 2020-21 budget, \$3,626,154 of the General Operating accumulated surplus has been used to fund expenditures and we will be including an additional use of general operating up to 2% of our revenues which will be presented at the time that we bring revised estimates to the committee.

Appended Data:

1. Schedule of Accumulated Surplus for the Year Ended August 31, 2020
2. Accumulated Surplus - Explanatory Notes

Recommendation:

**“That the Schedule of Accumulated Surplus for the year ended August 31, 2020,
be approved.”**

Respectfully submitted,

Stacy Veld, Superintendent of Business Services
Nicky Westlake, Controller of Finance

November 11, 2020

For further information please contact Stacy Veld, Superintendent of Business Services.

**DISTRICT SCHOOL BOARD OF NIAGARA
SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDING AUGUST 31, 2020**

	01-Sep-19 Balance	Transfers To	Transfers From	31-Aug-20 Balance	Committed	Net Available
<u>INTERNALLY APPROPRIATED</u>						
Capital						
Board - Major Capital	\$ 5,490,834	\$ -	\$ 3,300,000	\$ 2,190,834	\$ -	\$ 2,190,834
New Secondary School Theatre and Greenhouse	1,900,000	5,800,000	-	7,700,000	7,700,000	-
Committed Capital Projects	14,859,548	272,532	861,586	14,270,494	14,270,494	-
Total Capital	22,250,382	6,072,532	4,161,586	24,161,328	21,970,494	2,190,834
Equipment Replacement						
Cafeteria Equipment	59,609	3,343	-	62,952	62,952	-
Data Centre	1,437,585	-	-	1,437,585	1,437,585	-
Network Infrastructure	2,052,909	-	-	2,052,909	2,052,909	-
Photocopier	1,491,646	96,312	-	1,587,958	1,587,958	-
Printing Services	245,254	-	-	245,254	245,254	-
VOIP/Unified Communications	1,079,097	-	-	1,079,097	1,079,097	-
Artificial Turf & Track Replacement	67,431	1,170	19,854	48,747	48,747	-
Committed Equipment Projects	24,166	-	9,686	14,480	14,480	-
Total Equipment Replacement	6,457,697	100,825	29,540	6,528,982	6,528,982	-
Other						
Self-Insurance	258,230	-	-	258,230	258,230	-
Total Other	258,230	-	-	258,230	258,230	-
Year End Carry Forwards						
Schools	129,080	961,168	129,080	961,168	961,168	-
Board Contractual	332,397	399,781	332,397	399,781	399,781	-
Departmental	2,209,760	30,000	2,209,760	30,000	30,000	-
Total Year End Carry Forwards	2,671,237	1,390,949	2,671,237	1,390,949	1,390,949	-
<u>UNAPPROPRIATED</u>						
General Operating	15,024,736	8,147,259	-	23,171,995	3,626,156	19,545,839
Total General Operating	15,024,736	8,147,259	-	23,171,995	3,626,156	19,545,839
Total Accumulated Surplus	\$ 46,662,282	\$ 15,711,565	\$ 6,862,363	\$ 55,511,484	\$ 33,774,811	\$ 21,736,673

DISTRICT SCHOOL BOARD OF NIAGARA

ACCUMULATED SURPLUS - EXPLANATORY NOTES

DSBN Accumulated Surplus - Internally Appropriated

1. Capital

a. Major Capital

The Major Capital accumulated surplus has been set aside to cover the cost of major capital projects (i.e., renovations, additions, school sites) which exceed the revenue received through Ministry grants.

b. Committed Capital Projects

With the implementation of new accounting standards in 2010-11, a Committed Capital Projects accumulated surplus is required to fund the future years amortization expense for capital projects funded from the Major Capital accumulated surplus.

2. Retirement Benefits

This accumulated surplus is being used to partially fund the retirement gratuity liability which, effective in 2012-13, is being phased into budget compliance over 6.7 years, which is the Estimated Average Remaining Service Life (EARS�) of eligible employees.

3. Equipment Replacement

Cafeteria Equipment

This accumulated surplus provides for unexpected and not otherwise budgeted repairs to cafeteria equipment. It is generated by a small portion of the commission received from annual sales.

Data Centre

This accumulated surplus provides for the replacement and/or upgrading of the Board's central (on premise) data centre. The components of the data centre include equipment, building infrastructure and the systems for power, security and cooling. An annual budget amount is transferred to this accumulated surplus.

Network Infrastructure

This accumulated surplus provides for the replacement and/or upgrading of the infrastructure that enables network connectivity, operations and management of the Board's network and Wi-Fi systems. The components of the network infrastructure include network switches, Wi-Fi Access Points, and Data Cabling. An annual budget amount is transferred to this accumulated surplus.

Photocopier

This accumulated surplus provides for the replacement of photocopy machines throughout the system as required. The per-copy charge includes an amount to provide for the replacement of the machines by the end of their expected life.

Printing Services

Printing Services operates on a cost-recovery basis. All operating and equipment costs incurred to produce printed materials are recovered through charges to the users - schools, other departments. Any annual surplus generated by Printing Services may be transferred to accumulated surplus to provide funds for upgraded or replacement equipment. This surplus may also be used to offset annual costs if expenditures exceed revenue generated.

Voice Over Internet Protocol (VOIP)/Unified Communications

This accumulated surplus provides for the replacement and/or upgrading of the systems for the delivery of voice communication and multi-media technologies. An annual budget amount is transferred to this accumulated surplus.

Artificial Turf and Track Replacement

This accumulated surplus provides for the replacement and/or upgrading of the synthetic turf and track fields. All partnership and rental revenues are transferred to this accumulated surplus.

Admin Computer Replacement

This accumulated surplus provides for the replacement of school administrative technologies. An annual budget amount is transferred to this accumulated surplus.

Committed Equipment Projects

With the implementation of new accounting standards effective in 2010-11, a Committed Equipment Projects accumulated surplus was required to fund future year's amortization expense for capital equipment purchases funded from various Equipment Replacement accumulated surpluses.

4. Self-Insurance

This accumulated surplus covers the deductible portion of property insurance claims in excess of the annual budget amount. In the event claims are lower than budget, the unspent amount is transferred to accumulated surplus.

5. Year-End Carry Forwards

These funds represent annual school surpluses or deficits, and surpluses in specific departmental and Board contractual budgets. The amounts are set up at year end and subsequently reversed in the following year. This allows school administrators and central staff to more effectively plan the timing of approved expenditures and initiatives.

DSBN Accumulated Surplus - Unappropriated**General Operating**

The accumulated surplus for general operating requirements has been built up over the years from year-end operating surpluses. Any year-end surplus or deficit arising from operations is transferred to or from this accumulated surplus.

In May 2017, the Board approved the following motion, "That, on an annual basis, approximately \$4,000,000 of the General Operating Accumulated Surplus continue to be set aside to cover unexpected or unbudgeted expenditures which may arise during a particular year or to provide limited funding for other approved one-time expenditures and that 20% of the remaining balance in the General Operating Accumulated Surplus, as reflected in the annual financial statements, be transferred to revenue in the budget for the year following the year in which the financial statements have been completed."